

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 3

In the Matter of

C. S. HUTSON & COMPANY,

Bankrupt.

C. S. HUTSON,

Appellant,

vs.

S. J. COFFMAN, Trustee in the Matter of C. S. Hutson &
Company, Bankrupt,

Appellee.

APPELLEE'S REPLY BRIEF.

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FILED

JUN 27 1938



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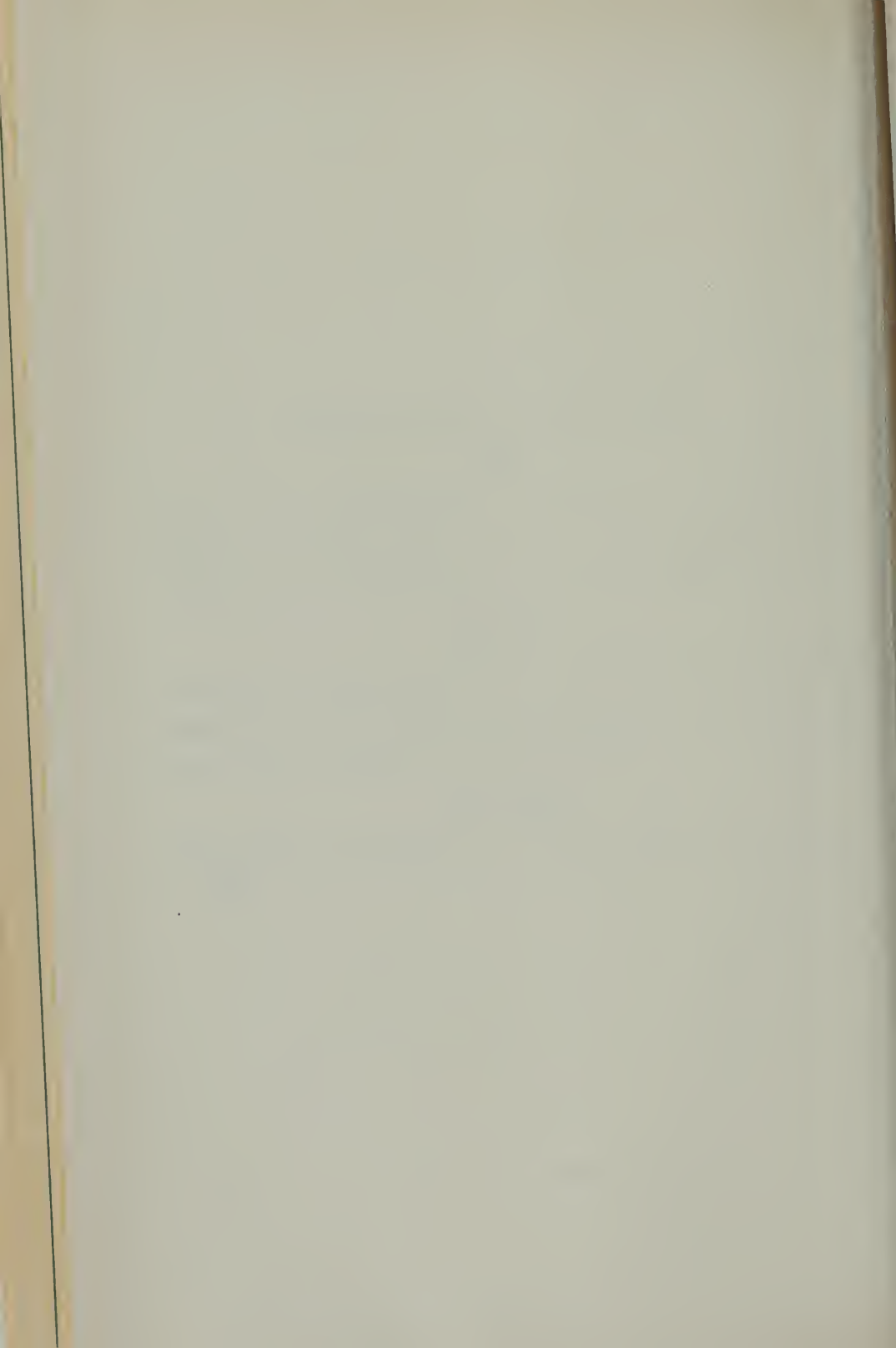
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No. 8832.

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APPELLEE'S REPLY BRIEF.

Statement of Case.

S. J. Coffman, trustee in bankruptcy for C. S. Hutson & Company, being the Appellee herein and having received the Appellant's Opening Brief, desires to correct and more fully set forth a statement of the matters involved in this appeal.

On August 21, 1934, the C. S. Hutson Company being under attachment, a petition in involuntary bankruptcy was filed and thereafter proceedings were instituted by the

bankrupt company and C. S. Hutson to put the affairs of the C. S. Hutson Company under the provisions of the Bankruptcy Act known as 77-B, and that thereafter, on December 5, 1934, a proof of unsecured debt was filed in said 77-B proceedings on behalf of C. S. Hutson setting forth a purported claim in the sum of \$7400.54 for services rendered [R. 4-5]. That subsequent thereto, in the year 1936, S. J. Coffman, having been appointed a trustee in bankruptcy and the 77-B proceedings having been terminated, petitioned and obtained an order authorizing the institution of ancillary proceedings in San Francisco, pursuant to which order of the District Court proceedings were had before Burton J. Wyman as special master, a copy of said proceedings being incorporated in full in the transcript of record, pages 17-30, inclusive, were filed before the referee in bankruptcy on December 7, 1936. That the trustee in bankruptcy, Appellee herein, filed a notice of objection to the allowance of the claim of C. S. Hutson [R. 6]. That after numerous continuances on behalf of Appellant, on April 12, 1937, a hearing on the objections to said claim came on before the referee, at which time Mr. C. S. Hutson was not present and the matter proceeded in his absence, however, he being represented by his attorney, Mr. Powell [R. 31]. That the transcript of proceedings at said hearing being very short, and the trustee and all parties concerned feeling that for a full and fair determination of the question the entire transcript be certified to your Honorable Court, it is set out in full on pages 31-54 inclusive of the transcript of rec-

ord. That at the termination of said hearing the referee disallowed the claim of C. S. Hutson in full [R. 7]. Thereafter a review was taken before the District Court which sustained the referee's ruling denying the claim [R. 11], a motion being thereafter made by C. S. Hutson to reconsider the ruling of the District Court, which was denied [R. 12-13]. The matter is now before your Honorable Court on review from all proceedings with respect to the disallowing of the claim of C. S. Hutson. With respect to the Appellant's statement of the case, the Appellee does not feel that the statements set forth by the Appellant are properly a statement of the case in that the matters set forth by Appellant are an endeavor to point out to the Court only those portions of the testimony which Appellant feels are favorable to him, and the Appellee respectfully urges that your Honorable Court read the entire transcript of proceedings set forth in the transcript of record. However, in order that the Court may have a summary of these proceedings with the pertinent parts thereof, Appellee will endeavor to do so.

The objections of the trustee to the claim were as follows:

1. That the records of said bankrupt are incorrect in that the true records of the bankrupt show that it is not indebted in any sum whatsoever, but that you are indebted to the corporation in a sum in excess of \$25,000.00 [R. 6].

2. That your purported claim arises out of fictitious sales of property and corresponding book entries therefor,

wherein you attempted to sell to the bankrupt a one-fourth interest in the American Bank Check Company, receiving credit on your personal account for \$25,000.00 although having no interest in said company to sell and no evidence thereof ever delivered to the bankrupt [R. 6].

3. Fictitious entries of salary of H. L. Hutson since 1928, the credit thereof having been applied to your personal account [R. 6].

The first witness called by Appellee was the auditor for the bankrupt corporation, who testified as follows: That he was employed by it from September, 1928 [R. 36], to August 21, 1934 [R. 50]. That H. L. Hutson was the father of C. S. Hutson, the Appellant herein [R. 37]. That H. L. Hutson was never employed by the C. S. Hutson Company working in Los Angeles during the period September, 1928, to August 21, 1934 [R. 42]. That on December 21, 1929, there was a credit upon the books of the bankrupt in the sum of \$10,290.29 belonging to H. L. Hutson [R. 41], the only information I had about it was what C. S. Hutson told me [R. 37]. It being made up of salary credited to H. L. Hutson of salary at the rate of \$400.00 per month part of the time and \$200.00 thereafter up to December 31, 1929 [R. 41-43]. In December, 1929, the books show that the credit of \$10,290.29 was applied as follows: \$6,371.19 was charged to H. L. Hutson and credited to C. S. Hutson's personal account which was overdrawn [R. 37, 41] and the balance was credited to the account of the American Bank Check Company on our books and then the

H. L. Hutson account was in balance [R. 38, 41, 43]. That on December 17, 1929, the books reflect that C. S. Hutson personally sold to the C. S. Hutson Company an 18% interest in the American Bank Check Company for the sum of \$18,000.00 [R. 39]. This \$18,000.00 shows as an investment of the corporation in its investment account [R. 39] and the \$18,000.00 [R. 39] credit was applied as a \$10,000.00 credit to Mr. C. S. Hutson upon his personal overdrawn account and \$7,900.00 was applied as a credit upon notes owed by him to the corporation [R. 40]. That the transaction appears to have been passed by the board of directors of which Mr. C. S. Hutson was a member, but the minute book could not be found [R. 40]. The American Bank Check Company was run by H. L. Hutson, the father of C. S. Hutson, in San Francisco [R. 42]. That thereafter, in April, 1930, an additional 7% interest in the American Bank Check Company was sold by C. S. Hutson to the C. S. Hutson Company for the sum of \$7000.00, for which Mr. C. S. Hutson received credit upon his personal overdrawn account with said corporation and the books of the corporation showed an ownership of an additional 7% interest, making a total of a 25% interest in the American Bank Check Company, carried as an asset of said C. S. Hutson Company at \$25,000.00 in its investment account [R. 44]. The only evidence of any ownership in the American Bank Check Company which I have ever seen was an old account in the C. S. Hutson Company books of around \$4000.00 or \$5000.00 advanced by the C. S.

Hutson Company to the American Bank Check Company which was paid. (See Exhibit A attached to this brief, same being copy ledger account shown in books of bankrupt introduced in evidence.) I also kept the books of the American Bank Check Company for a few months [R. 45]. The C. S. Hutson Company books also reflect that on August 21, 1934, there was a cash account in the sum of \$3500.00 in the possession of C. S. Hutson personally [R. 46] which arose during the time an attachment was on the plant of the company [R. 47] and Mr. Hutson made all of the collections of accounts receivable of the company and paid bills and at the time the trustee under 77-B took possession of the plant there was a balance of \$3500.00 in the account and Mr. C. S. Hutson told me to charge him on his personal account for \$3500.00 and he kept the money, being accounts receivable collected by him personally [R. 48].

In addition to Mr. Gosling's testimony the trustee introduced in evidence the original books of account of the C. S. Hutson Company (which books are now certified by this Court) respecting the entries testified to, and also a transcript of testimony of H. L. Hutson taken in San Francisco on September 17, 1936, previously filed December 7, 1936 [R. 30].

The gist of the testimony at the hearing in San Francisco is as follows (let it here be specially noted that C. S. Hutson was represented by counsel [R. 17] and Appellant's explanation thereof as a typographical error is manifestly not proper, as will appear from the tran-

script itself [R. 17], and also let it be noted that C. S. Hutson was present in San Francisco at the time of the hearing but not personally in the court room, but was represented [R. 54]):

H. L. Hutson is the father of C. S. Hutson [R. 15]. That he moved to San Francisco in August, 1928, and ran and operated the American Bank Check Company [R. 18]. That since August, 1928, I have never drawn any salary from the C. S. Hutson Company [R. 19, 24]. I never knew that the C. S. Hutson Company owned a 25% interest in the American Bank Check Company and have never recognized such an interest [R. 20], and that I am the sole owner of the American Bank Check Company [R. 27], and that the C. S. Hutson Company does not owe me any money now or since I left in August, 1928 [R. 29].

In addition to this the general books of the company, particularly the investment account, filed herein, reflect that the C. S. Hutson Company carried as an asset the 25% interest in the American Bank Check Company from 1929 to August 21, 1934, in the sum of \$25,000.00, and that in August, just prior to the trustee taking possession, this interest was reduced on the books of said company to a valuation of \$1.00. (See "Exhibit B," note at end thereof, being copy of ledger account from books of bankrupt introduced in evidence.)

APPELLEE'S POINT ONE.

The Uncontradicted Testimony on the Hearing of the Trustee's Objection to the Claim of C. S. Hutson Clearly Disclosed That Fraud, Directly Traceable to the Claimant, Permeated the Entire Series of Transactions Upon Which the Claim Was Predicated, and This Being Apparent to the Referee, as Found by Him, It Became His Duty to Immediately Disallow the Entire Claim.

The facts in reference to the withholding by C. S. Hutson from the trustee of the sum of \$3,500.00 in cash of the funds of the bankrupt have been hereinbefore summarized for the convenience and information of this Court and the trustee here desires to quote verbatim the remarks and questions propounded by the referee to the witness Gosling as shown on page 48 of the transcript of record [R. 48]:

“The Referee: What does that mean in the plain language of the street? He got \$3500 of the money of C. S. Hutson & Company, and charged it on the books?”

A. He would take the money, and I had to charge it to him.

Q. Am I to understand that Hutson, by some means or other, got hold of \$3500.00 that belonged to the C. S. Hutson & Company and he kept that, and said, ‘Charge me on the books of the company with \$3500’?

A. That's right.

Mr. Powell: Just a minute, before making my objection I would like to have that answer stricken.

The Referee: All right, it will be stricken for the objection.

Mr. Powell: Object to the question on the ground it asks for a conclusion of the witness. It says he took from the company moneys that belonged to the company.

The Referee: I didn't say that, I said he assumed possession of money, of \$3500, and then told this gentleman to charge it on the books against C. S. Hutson. Objection overruled."

Hereinbefore we have summarized also the evidence before the referee on the hearing of the objection to said claim in reference to strange and extraordinary entries upon the books of the bankrupt, of which the claimant was the president, respecting his personal dealings and transactions with the bankrupt corporation, including items of alleged salary to his father and the purported sale of either valueless or non-existing assets by which he obtained credits upon his personal overdrawn account of sums aggregating \$31,371.19, in addition to the \$3500 above referred to.

The rule having full and complete application under such circumstances was ably declared by the Court in a case similar in many aspects to the case here, and we now quote therefrom as follows:

"But the rule seems to be that where a creditor has interposed a claim, the larger portion of which is fraudulent, he is not entitled to any recovery, because the fraud permeates the entire account. *Levy v. Hamilton*, 68 App. Div. 277, 74 N. Y. Supp. 159; *Byrnes v. Vols*, 53 Minn. 110, 54 N. W. 942; *Fairfield v. Baldwin*, 12 Pick. (Mass.) 388."

In re Friedman, 164 Fed. 131-143.

We have hereinbefore directed attention to the fact that the transcript of the ancillary proceedings before the Special Master in San Francisco discloses upon its face that C. S. Hutson was personally represented, and we have also pointed out that the attempt of Appellant in his Opening Brief to contradict said record by a reference to an alleged typographical error, must fall of its own accord.

Appellants in error ignore the fact that even though the claimant had not been represented in the ancillary proceedings that it was nevertheless the duty of the referee under the circumstances disclosed by all of the evidence before him to have considered and examined the claim in the light of all of the facts and circumstances developed in the case and as to the credibility of the claimant reflected by his proof of claim only and after weighing and examining all testimony to have reached a conclusion allowing or denying the claim.

We now direct this Honorable Court's attention to an authority also based upon facts very similar in many aspects to those here, from which we now quote as follows:

“The testimony of the claimant not having been directly contradicted, the referee apparently felt compelled to accept it as true, when he ought to have examined it in the light of all the facts and circumstances developed in the case, affecting the credibility of the claimant as a witness and the value of her testimony, and then have reached a conclusion, accepting or rejecting the same.”

In re Ralph, 293 Fed. 903, 905.

Appellee desires to direct the special attention of this Court to the fact that at the hearing of the objection to the claim of C. S. Hutson that he offered no evidence whatsoever upon his behalf nor did he even personally attend the hearing. The record discloses the following:

“The Referee: In the matter of C. S. Hutson & Company, is Mr. Hutson here, Mr. Powell?

Mr. Powell: No, I would like the record to show that I informed him this morning that we would go on with the matter at 2:00 o'clock, whether he was here or not.

The Referee: All right.”

At said hearing the referee considered, of course, the proof of unsecured debt that previously had been filed by C. S. Hutson on December 5, 1934, in the 77-B proceedings. We now ask this Honorable Court to inspect said proof of claim [R. 4-5] and to particularly note that said claim is not evidenced by any statement of account or any note, bond or memorandum and that the claimant has contented himself with simply describing his claim as being in the sum of \$7400.54 for “services rendered,” directly in violation of the National Bankruptcy Act and the General Orders in Bankruptcy.

The rule as to the obligation of a claimant in a bankruptcy proceeding has been well stated by the Federal Court as follows:

“The referee is affirmed. Every creditor of a bankrupt estate must establish his claim by a preponderance of the evidence,—facts proved or admitted. This claim is not evidenced by any note, bond or memorandum and there are many circumstances which should put the trustee and referee on enquiry.”

In re Wooten, 118 Fed. 670.

Argument Answering Point I of Appellant.

In answer to argument of Point I of the Appellant which is captioned as follows: "The referee and the District Court erred in allowing the transcript of proceedings held in ancillary proceedings in San Francisco to be introduced in evidence."

The Appellant in attempting to present the argument upon this point refers to the assignment of error paragraphs 2, 3, 5 and 6 grouped in a single paragraph.

In order for this Court to obtain a full and complete picture of the matters presented by the Appellant in his argument of Point I, we feel that in answering this point there are certain matters which the Appellant has commingled in his statement of the case which properly should be brought to the Court's attention under Point I as follows: "*Claim of C. S. Hutson filed in 77-B proceedings [R. 4-5], this being a claim in the sum of \$7400.54 for services rendered, of which \$4126.88 is in the form of a note.*" However, let it be brought to this Court's attention that no copy of the note is attached to this claim and no itemized statement of services rendered, and also that C. S. Hutson personally was not present, but represented by counsel *only* at the hearing on the objections to his claim.

In order for the trustee to present his objections to this claim it was necessary to analyze the complete account of C. S. Hutson as shown on the books of said corporation commencing in the year 1926 down to and including August 21, 1934, at which time the trustee in 77-B proceedings took over the property of the bankrupt. We are attaching hereto a summary of the personal account of C. S. Hutson with the corporation, as we feel that the

matters referred to in this summary present a clearer picture to the Court than for the Court to obtain the information by an audit of the corporation books.

In order for the Appellant to arrive at the amount of his claim of \$7400.54 it was necessary to audit his account from the year 1926 to the date of the 77-B proceedings and allowing all of the credits and debits which are shown upon his personal account the books of the corporation reflected a balance of \$7400.54 due and owing by the bankrupt corporation to the Appellant, which amount the trustee claimed was an error and fraudulent.

The trustee in his examination of the books and records of the bankrupt corporation questioned certain transactions shown upon the books by which the Appellant had obtained credits upon his personal account with the corporation which the trustee believed were fictitious entries and questioned particular items, to-wit: Journal entry #222 dated December 31, 1929, in which the Appellant received credits of \$6371.19 upon his personal account which was charged to the account of H. L. Hutson; journal entry #223, \$10,100.00 credit to his personal account and \$7900.00 credited to his notes receivable account representing a sale by the Appellant to the bankrupt corporation of an 18% interest in the American Bank Check Company. In addition thereto journal entry #235 dated April 30, 1930, in the sum of \$7000.00, representing the sale of an additional 7% interest in the American Bank Check Company for which the Appellant received credit on his personal account for said sum, and journal entry #425 dated August 21, 1934, in the sum of \$3500.00 wherein C. S. Hutson at his own request kept \$3500.00 belonging to the corporation of funds col-

lected for said corporation and charged his personal account with this amount on the date the trustee in 77-B took possession of the corporation.

These particular items were brought to the Court's attention *as if these items were improper* as maintained by the Appellee, the books of the bankrupt corporation would reflect that the corporation was not indebted to C. S. Hutton in the sum of \$7400.54 or in any sum whatsoever, but rather that the Appellant herein was indebted to the bankrupt corporation in the sum of \$27,470.65. However, at the hearing on the objection to the Appellant's claim it was not attempted in any manner whatsoever to obtain a judgment against the Appellant for any monies owing by him to the bankrupt corporation, but merely to disallow his claim in the sum of \$7400.54 which he heretofore filed.

In this connection let it here be noted that on September 17, 1936, pursuant to orders regularly obtained, ancillary proceedings in the above matter were held before a special master in San Francisco and from the examination in San Francisco, it developed that the American Bank Check Company was being operated by one H. L. Hutson, who is the father of the Appellant, and that the father of the Appellant moved to San Francisco and took charge of the American Bank Check Company in August of 1928 [R. 18], and that the said H. L. Hutson has never drawn any salary from the C. S. Hutson Company since August, 1928, and has been owned and controlled exclusively by the American Bank Check Company, and that the total value of the American Bank Check Company during the years 1929, 1930 or 1931 would not exceed \$20,000.00 to \$25,000.00 [R. 20-21],

and that H. L. Hutson testified that the bankrupt company owed him no money and that it is not indebted to him in any sum whatsoever [R. 29].

The testimony of the hearing before the special master in San Francisco was filed December 7, 1936, before the referee in bankruptcy and refiled April 12, 1937 [R. 54], the date of the hearing of the objection to the Appellant's claim. It appears to the Appellee that the testimony of proceedings in San Francisco was properly admitted in evidence showing that the C. S. Hutson Company never received or owned an interest in the American Bank Check Company. That the sale by the Appellant to the bankrupt corporation of a 25% interest in the American Bank Check Company, for which he received credit in the sum of \$25,000.00 upon his personal account which was overdrawn, was a fiction of Appellant's imagination in that he had no interest in the American Bank Check Company to sell, and further that the total value of the American Bank Check Company's assets at the time it was attempted to sell a 25% interest therein would not exceed \$20,000.00 or \$25,000.00, yet the Appellant sold, according to the books of the bankrupt corporation, a 25% interest therein and received from said bankrupt corporation credit upon his overdrawn personal account in the sum of \$25,000.00.

Let it be here noted that on the general ledger of the bankrupt corporation up to and including the date that the trustee under 77-B was appointed the bankrupt corporation carried on its books as an asset in its investment account at a valuation of \$25,000.00 the 25% interest in the American Bank Check Company and that in August of 1934 this interest was reduced upon the books of said corporation to the sum of \$1.00.

Appellee herein contends, as it did during all of the hearings on the contest to the Appellant's claim, that in truth and in fact no sale of a 25% interest in the American Bank Check Company was ever sold to the C. S. Hutson Company and that the entire transaction was fraudulent in that it was an attempt on behalf of C. S. Hutson personally through his corporation, the C. S. Hutson Company, to perpetrate a fraud upon his books and to receive credit for \$25,000.00 upon his personal overdrawn account for this amount, and the credit being improper should be removed and debited to his account.

At the same time this fictitious entry was made and on the same date the Appellant received as credit upon his personal overdrawn account, a further credit of \$6371.19. The trustee in analyzing this transaction audited the account of H. L. Hutson, the father; a copy of this summary is also attached for convenience of the Court.

It will appear that the H. L. Hutson account opened in October, 1926, and the account for November shows a credit of \$5948.02 for which no explanation is given, and the Appellee believes the only interpretation which can be placed upon it is that a loan or advance was made by H. L. Hutson to the company for this amount; during the year 1927 various credits and debits were made on this account including a credit of \$735.00 as interest and salary at \$300.00 per month; this salary was continued until the end of July, 1928. It will here be noted that this is the time H. L. Hutson left the employ of C. S.

Hutson Company in Los Angeles and moved to San Francisco to operate the American Bank Check Company.

From July, 1928, to September, 1929, no monthly credits of salary were made to this account, and then in September, 1929, by journal entry #212, appears a credit on the account of \$4200.00 as salary beginning August, 1928, to September, 1929, at \$400.00 per month, an increase of \$100.00 per month after H. L. Hutson had left the corporation in Los Angeles and moved to San Francisco; this salary of \$400.00 was then credited monthly thereafter until September, 1930, and then reduced to \$200.00 per month for the months October, November and December, 1930, and from that time on no further credits appear on the account.

It will further appear that at the end of 1929 the books reflected that the corporation owed H. L. Hutson \$10,290.29 and that this balance was used as follows: \$6371.19 credited to C. S. Hutson personal overdrawn account and the balance credited to the American Bank Check Company.

In view of what the books of the corporation reflected, H. L. Hutson testified in the ancillary proceedings that since 1929 in August he had never drawn any salary from the C. S. Hutson Company. It would appear to Appellee that this complete transaction was a means used by C. S. Hutson to perpetrate a fraud upon his corporation by obtaining credits upon his books for money to which he was not entitled, thereby reducing his overdrawn account with his corporation to this extent.

The Appellee feels and desires to point out to this Court that the testimony of H. L. Hutson on ancillary proceedings was properly admitted before the referee and established by clear proof:

1. That no sale of a 25% interest in the American Bank Check Company could have been or was made.
2. That the C. S. Hutson Company does not now or ever has been the owner of any interest in the American Bank Check Company.
3. That after H. L. Hutson left the C. S. Hutson Company, salary credits were given to him on the books which in truth and in fact were used by C. S. Hutson to repay a personal overdrawn account of his on the books of the bankrupt corporation.

Appellee desires to here call attention to the cases cited by Appellant:

The cases cited by Appellant are all found in Remington on Bankruptcy, Volume 5, page 39, paragraph 2005, entitled "Admissibility of General Examination in Subsequent Litigation," and on page 423, paragraph 2260, entitled "Admissibility of Bankrupt's Schedules and General Examination Against Transferee." With the law of these cases Appellee does not differ, but their application to the present matter in controversy is not applicable.

Argument Answering Point II of Appellant.

In answering Point II of Appellant, he has confused three separate matters and in answering them let us separate the three matters:

(A) It is claimed by the Appellant that the transfer of the \$3500.00 is not a preference under Section 60 of the Bankruptcy Act.

First let us look at the testimony of the witness Gosling. He testified that the \$3500.00 arose during the time the C. S. Hutson Company was under attachment [R. 47] and on August 21st, 1934, the money was kept by C. S. Hutson as a charge on his account and a balance of \$543.57 was delivered to the trustee in 77-B [R. 49].

How with any sincerity can the Appellant now claim that the present creditors were not creditors at the time of the \$3500.00 transaction when that is the exact date of the inception of the above bankruptcy proceedings. Appellee feels it is a deliberate attempt to misrepresent this matter to this Honorable Court and is without a scintilla of proof to support it. We feel this disposes of the first point and that the question raised is of no value whatsoever. Attention is here called to the remarks of the referee on this transaction set forth on page 487 of the transcript [R. 48].

(B) Appellant's claim that any rights the Appellee had are now barred by Sections 335 and 338:4 of the Code of Civil Procedure of the State of California—we ask that the Court read subdivision 4 of Section 338 and con-

ceding for the purpose of argument only that this section applies, when did the period of limitation begin to run? Certainly not from the date of the transaction as claimed by the Appellant, but from the date of discovery, which could not have been at least until the examination of H. L. Hutson on September 17, 1936, and therefore by this section alone the period has not expired. In any event any point concerning the Statute of Limitations is raised for the first time on this appeal.

(C) With reference to the argument of Appellant that the entries of salary to H. L. Hutson respecting the running of the Statute of Limitations we feel the same argument to (B) applies, and what possible effect Appellant desires to accomplish by citing these sections Appellee cannot conceive, as one involves real property not an issue in this proceeding and no intimation of any real property in any of the testimony, and certainly the statute cannot run until a fraud is discovered, and the only date of discovery is the date of the very proceeding the Appellant is questioning.

Conclusion.

In conclusion the Appellee respectfully submits that it is apparent from the Opening Brief of the Appellant that either it is a deliberate attempt to misstate the facts involved in the matter for the purpose of misleading this Honorable Court or it is a hastily prepared document without proper consideration of either facts or law, due to lack of preparation or inexperience. And we feel that this is the only conclusion at which this Honorable Court can arrive.

The Appellee feels that it has shown to this Court from all the facts set forth herein,—and here we beg the pardon of this Honorable Court for the length of this brief, it, however, being caused by the confused manner in which the Appellant approached the issues involved, and the law applicable,—that the Appellee has shown ample grounds for the denial of the Appellant's claim, which was properly denied by the referee and the District Court, and that all the evidence introduced was proper and should have been admitted in evidence, and that the claim of C. S. Hutson in the sum of \$7400.54 should be denied in total, and that this Court should sustain the rulings of the Referee in Bankruptcy and of the District Court in denying this claim.

Respectfully submitted,

GERALD W. MYERS,

Attorney for Appellee.





"EXHIBIT A"

ANALYSIS

C. S. HUTSON, PERSONAL-DRAWING A/C WITH
C. S. HUTSON & COMPANY

Note: Charges made to this account consist of checks drawn by the C. S. Hutson & Co. in favor of C. S. Hutson, Mrs. C. S. Hutson, Pacific Capital; and in payment of personal insurance, interest, taxes, payments on stock purchases, and on notes due various ones. Also purchases made and charged to Company accounts.

| <u>1926</u> | <u>Dr.</u> | <u>Folio</u> | |
|------------------------------------|------------|--------------|-------------|
| Oct. 31 Cash | 250.00 | | Journal 21 |
| “ 31 Misc/a/c (V. Journal missing) | 780.00 | | “ 22 |
| Nov. 30 “ “ “ “ “ “ | 1,212.39 | | “ 26 |
| Dec. 31 “ “ “ “ “ “ | 165.00 | | “ 31 |
| “ 31 Cash | 912.44 | | “ 32 |
| | _____ | | |
| <u>Total Debits</u> | | | \$ 3,319.83 |

| | <u>Cr.</u> | | |
|--|------------|--|-------------|
| Oct. 31 Misc. a/c (V. Journal missing) | | | |
| (Pages 1-50) | \$2,463.60 | | Journal 22 |
| Nov. 30 “ “ “ “ “ “ | 790.00 | | “ 26 |
| Dec. 31 December Salary | 750.00 | | “ 31 |
| “ 31 Int. 94.50-Entertainment) | 478.00 | | “ 33 |
| (383.50-expenditures) | | | |
| (made for C S H Co.) | | | |
| | _____ | | |
| <u>Total Credits</u> | \$4,481.60 | | \$ 4,481.60 |
| <u>Credit Balance Dec. 31, 1926</u> | | | \$ 1,161.77 |

| <u>1927</u> | <u>Dr.</u> | <u>Folio</u> |
|----------------------------------|------------|--------------|
| Jan. 31 Cash | 991.08 | Journal 40 |
| “ 31 Purchases & Petty Cash | 81.19 | “ 41-VJ 53 |
| Feb. 28 Cash | 949.44 | “ 44 |
| “ 28 Purchases & Petty Cash | 411.00 | “ 45-VJ 69 |
| Mar. 31 Cash | 1,130.46 | “ 48 |
| “ 31 Purchases & Petty Cash | 395.35 | “ 49-VJ 82 |
| April 30 Cash | 1,102.61 | “ 51 |
| “ 30 Purchases & Petty Cash | 30.00 | “ 52-VJ 92 |
| May 31 Cash | 484.83 | “ 57 |
| “ 31 Purchases & Petty Cash | 110.00 | “ 58 |
| June 30 A/Rec. credited | 166.50 | “ 60 |
| “ 30 Cash | 2,097.16 | “ 66 |
| “ 30 Purchases | 45.00 | “ 67 |
| July 31 Cash | 425.24 | “ 71 |
| Aug. 30 Cash | 30.00 | “ 75 |
| “ 31 Cash | 674.62 | “ 77 |
| Sept. 30 A/Pay/Credited | 67.00 | “ 81 |
| “ 30 Interest | 23.37 | “ 83 |
| “ 30 A/Pay credited | 92.10 | “ 83 |
| “ 30 Charge | 9.11 | “ 84 |
| “ 30 Cash | 857.42 | “ 85 |
| “ 30 Cash | 100.00 | “ 86 |
| Oct. 30 Cash | 822.68 | “ 92 |
| “ 31 Petty Cash & Purchases | 60.00 | “ 93-VJ 114 |
| Nov. 30 Cash | 989.62 | “ 97 |
| “ 30 Purchases | 8.75 | “ 98-VJ 117 |
| Dec. 31 Cash | 1,759.88 | “ 102 |
| “ 31 A/Rec. credited | 33.48 | “ 101 |
| “ 31 Purchases & Petty Cash | 201.87 | “ 103 |
| <u>Omitted above</u> | | |
| Aug. 31 Cash—Citizens T. & S Bk. | 200.13 | “ 77 |
| “ 31 A/Pay credited | 40.00 | “ 78 |
| | <hr/> | |
| <u>Total Debits</u> | | |

\$14,389.89

C. S. HUTSON—Drawing a/c—Continued—Page 2.

| <u>1927</u> | <u>Cr.</u> | <u>Folio</u> |
|---------------------------------------|------------|--------------|
| Jan. 31 Salary—January | 750.00 | Journal 41 |
| Feb. 28 Cash credited | 152.48 | “ 44 |
| Feb. 28 Salary—February | 750.00 | “ 45 |
| Mar. 31 Cash credited | 18.31 | “ 48 |
| Mar. 31 Salary—March | 750.00 | “ 49 |
| Apr. 30 Salary—April | 750.00 | “ 52 |
| May 31 Salary—May | 750.00 | “ 55 |
| May 31 Charged Int—& S F Expenses | 296.50 | “ 56 |
| June 30 Charge thru Invoice Reg. | 128.80 | “ 67—IR 104 |
| “ 30 Salary—June | 750.00 | “ 65 |
| July 31 Salary—July | 750.00 | “ 70 |
| Aug. 31 Salary—August | 750.00 | “ 76 |
| “ 31 Charge Adjustment a/c | 50.00 | “ 76 |
| Sept. 30 Charge—to Harris & Frank a/c | 50.00 | “ 82 |
| “ 30 Salary—September | 750.00 | “ 84 |
| “ 30 Charge to A/Rec (CSH) | 197.73 | “ 85 |
| Oct. 31 Charge to A/Pay (CSH) | 650.00 | “ 89 |
| “ 31 Salary—October | 750.00 | “ 91 |
| “ 31 Prepaid Expense (a/c 135) | 185.00 | “ 93 |
| “ 31 Prepaid Insurance (a/c 131) | 94.50 | “ 96 |
| Nov. 30 Salary—November | 750.00 | “ 97 |
| “ 30 Charge A/Pay—Inv. Reg. | 25.00 | “ 98—IR 118 |
| Dec. 31 Salary—December | 750.00 | “ 102 |
| Dec. 31 Prepaid Expense (a/c 135) | 120.00 | “ 103 |

Total Credits

\$10,968.32

Debit Balance Dec. 31, 1927

\$2,259.80

| <u>1928</u> | <u>Dr.</u> | <u>Folio</u> |
|-----------------------------------|------------|--------------|
| Jan. 31 Cash | 1,462.62 | Journal 108 |
| “ 31 Purchases & Petty Cash | 128.18 | “ 108 |
| Feb. 28 A/Rec. credited | 5.80 | “ 111 |
| “ 28 Purchases & Petty Cash | 50.00 | “ 112 |
| “ 28 Cash | 1,007.44 | “ 113 |
| Mar. 31 Cash | 1,189.41 | “ 116 |
| “ 31 Purchases | 6.75 | “ 117 |
| Apr. 30 Cash | 2,501.14 | “ 120 |
| “ 30 Purchases | 25.22 | “ 121 |
| May 31 Credit Notes Rec (CSH) | 1,871.64 | “ 124 |
| May 31 Purchases | 21.08 | “ 126 |
| “ 31 Cash | 1,315.67 | “ 125 |
| June 30 Cash (CD 169) | 9,525.61 | “ 129 |
| “ 30 Purchases & Petty Cash | 81.00 | “ 130 |
| July 31 Credit A/Rec—Harry Stenge | 147.25 | “ 133 |
| “ 31 Cash | 1,221.83 | “ 134 |
| “ 31 Purchases & Petty Cash | 35.15 | “ 135 |
| Aug. 31 Cash | 2,371.22 | “ 138 |
| “ 31 Credit A/Rec—Harry Stenge | 14.50 | “ 139 |
| “ 31 Purchases & Petty Cash | 35.75 | “ 139 |
| Sept. 30 Cash | 3,703.53 | “ 142 |
| “ 30 Purchases | 5.00 | “ 144 |
| Oct. 31 Cash | 1,871.90 | “ 151 |
| “ 31 Purchases—dues etc | 19.52 | “ 155 |
| Nov. 30 Insurance | 24.00 | “ 157 |
| “ 30 Cash | 2,599.73 | “ 159 |
| Dec. 31 Dues—Breakfast Club etc | 221.15 | “ 167 |
| “ 31 Cash | 869.73 | “ 168 |
| “ 31 Purchases | 219.29 | “ 171 |

Total Debits

\$32,551.11

| | <u>Cr.</u> | <u>Folio</u> |
|-----------------------------|------------|--------------|
| Jan. 31 Salary—January | 750.00 | Journal 107 |
| “ 31 Malibu Lake a-c | 45.80 | “ 111 |
| Feb. 28 Salary—February | 750.00 | “ 112 |
| Mar. 31 Salary—March | 750.00 | “ 115 |
| “ 31 Charge—Selling Expense | 160.00 | “ 117 |
| Apr. 30 Salary—April | 750.00 | “ 119 |
| “ 30 Cash (CR 145) | 1,871.64 | “ 120 |
| May 31 Salary—May | 750.00 | “ 123 |
| June 30 Salary—June | 750.00 | “ 128 |
| “ 30 Cash (CR 161) | 7,680.00 | “ 129 |

C. S. HUTSON—Drawing a/c—Continued—Page 3

| <u>1928—Continued</u> | | <u>Cr.</u> | <u>Folio</u> | |
|-----------------------|---|------------|--------------|-------------|
| June 30 | Charge to Amer. Bk Ck Co. | 52.70 | Journal | 130 |
| July 31 | Salary—July | 750.00 | “ | 133 |
| “ 31 | Cash (CR 168) | 1,000.00 | “ | 134 |
| Aug. 31 | Salary—August | 750.00 | “ | 137 |
| “ 31 | Charge to Amer. Bk Ck Co | 6.80 | “ | 137 |
| “ 31 | “ | 2.80 | “ | 137 |
| Aug. 31 | Selling Expense | 100.00 | “ | 139 |
| Sept. 30 | Salary—September | 750.00 | “ | 143 |
| Oct. 31 | Increase in Salary of \$750. per mo. for 9 Mo. Jan. to Sept. incl. 1928 | 6,750.00 | “ | 149 |
| “ 31 | Board of Directors, 10/30–28 | | | |
| Oct. 31 | Salary—October | 1,500.00 | “ | 149 |
| “ 31 | Wilshire-Commonwealth converti- ble note transferred to CSH Co. | 21.00 | “ | 149 |
| Nov. 30 | Salary—November | 1,500.00 | “ | 157 |
| Dec. 31 | Charge to Notes Pay—Don Lee Auto Contract | 178.00 | “ | 165 |
| “ 31 | Selling Expense—Amer Bk Ck | 202.33 | “ | 165 |
| “ 31 | Salary—December | 1,500.00 | “ | 167 |
| | <u>Total Credits</u> | | | \$29,321.07 |
| | <u>Debit Balance Dec. 31, 1928</u> | | | \$5,489.84 |

| <u>1929</u> | | <u>Dr.</u> | <u>Folio</u> | |
|-------------|----------------------------------|------------|---------------------|-------------|
| Jan. 31 | Cash | 24,372.52 | Itemized Ledger a/c | |
| Feb. 28 | Cash | 2,223.28 | “ | “ |
| Mar. 31 | “ (CR 26) | 1,500.00 | “ | “ |
| “ 31 | “ | 3,410.17 | “ | “ |
| Apr. 30 | “ | 3,027.24 | “ | “ |
| May 31 | “ | 2,916.71 | “ | “ |
| June 30 | Transfer of Cadillac from CSH Co | 4,678.50 | “ (J 202) | “ |
| June 30 | Cash | 2,407.52 | “ | “ |
| July 31 | “ | 2,047.90 | “ | “ |
| Aug. 31 | “ | 2,173.86 | “ | “ |
| Sept. 30 | “ | 1,989.59 | “ | “ |
| Oct. 31 | “ | 1,997.92 | “ | “ |
| Nov. 30 | “ | 1,521.31 | “ | “ |
| Dec. 31 | “ | 1,082.24 | “ | “ |
| | <u>Total Debits</u> | | | \$55,348.76 |

| | | <u>Cr.</u> | <u>Folio</u> |
|----------|---|------------|---------------|
| Jan. 31 | Salary—January | 1,500.00 | Ledger a/c |
| “ 31 | CSH—Personal Ck (evidently an exchange as check of same amount appears in January Charges (debits) | 22,800.00 | “ “ |
| “ 31 | Miscel—Western Wholesale | 1.88 | “ “ |
| Feb. 28 | Salary—February | 1,500.00 | “ “ |
| “ 28 | Charge to CSH Co-portion of Xmas Gifts | 129.15 | “ Journal 187 |
| “ 28 | Cash (CR 18) | 1,500.00 | “ a/c |
| Mar. 31 | Salary—March | 1,500.00 | Journal 194 |
| Apr. 30 | Salary—April | 1,500.00 | “ 197 |
| May 31 | Salary—May | 1,500.00 | “ 199 |
| June 30 | Don Lee—correction—error | 178.00 | “ 202 |
| “ 30 | Salary—June | 1,500.00 | “ 202 |
| “ 30 | Cash—Clifford Baker (CR 61) | 50.00 | Ledger a/c |
| July 31 | Salary—July | 1,500.00 | Journal 204 |
| Aug. 31 | Salary—August | 1,500.00 | “ 207 |
| Sept. 30 | Salary—September | 1,500.00 | “ 210 |
| “ 30 | Depreciation on Buick & Cadillac— charged to CSH Co Surplus a/c | 2,352.12 | “ 210 |

C. S. Hutson — Drawing a/c — Continued — Page 4

| <u>1929—Continued</u> | <u>Cr.</u> | <u>Folio</u> |
|--|------------|--------------|
| Oct. 31 Salary—October | 1,500.00 | Journal 213 |
| Nov. 30 Germaines—cash (CR 94) | 25.00 | Ledger a/c |
| “ 30 Salary—November | 1,500.00 | Journal 217 |
| Dec. 31 Salary—December | 1,500.00 | “ 220 |
| “ 31 Charge made to H L Hutson Personal a/c | 6,371.19 | “ 222 |
| “ 31 Charged to CSH Co. Investment a/c—partial payment of Sale by CSH to CSH Co. of 18% interest in Amer. Bank Check Co. | 10,100.00 | “ 223 |
| To Complete sale of said 18% interest in Amer. Bk Check Co by CSH to CSH Co. \$7,900. was credited to Notes Receivable—CSH. Resolution of Board of Directors, Dec. 27, 1929. | | |

Total Credits

\$61,507.34

Credit Balance Dec. 31, 1929

\$668.74

| <u>1930</u> | <u>Dr.</u> | <u>Folio</u> |
|--------------------|------------|--------------|
| Jan. 31 Cash | 2,186.90 | Ledger a/c |
| Feb. 28 Cash | 2,497.48 | “ “ |
| Mar. 31 Cash | 2,634.61 | “ “ |
| Apr. 30 Cash | 3,765.53 | “ “ |
| May 31 Cash | 2,439.26 | “ “ |
| June 30 Cash | 2,058.50 | “ “ |
| July 31 Cash | 1,978.55 | “ “ |
| Aug. 31 Cash | 1,125.22 | “ “ |
| Sept. 30 Cash | 1,613.16 | “ “ |
| “ 30 Pink Waronker | 73.88 | “ “ |
| Oct. 31 Cash | 1,521.07 | “ “ |
| Nov. 30 Cash | 1,799.24 | “ “ |
| Dec. 31 Cash | 1,204.74 | “ “ |

Total Debits

\$24,898.14

| | | <u>Cr.</u> | <u>Folio</u> |
|----------|---|------------|---------------|
| Jan. 31 | Salary—January | 1,500.00 | Journal 228 |
| “ 31 | Goods ret'd W. Wholesale | 7.50 | Inv. Reg. 191 |
| “ 31 | Cash a/c (CR 112) | 11.38 | |
| Feb. 28 | Check cancelled | 50.00 | Journal 231 |
| “ 28 | Miscel. | 1.30 | Inv. Reg. 194 |
| “ 28 | Salary—February | 1,500.00 | Journal 231 |
| Mar. 31 | Salary—March | 1,500.00 | “ 233 |
| Apr. 30 | Charged to CSH Co. Investment a/c to record purchase of additional 7% in Amer. Bank Check Co— making 25% in all—see Board of Directors Resolution February 5, 1930 | 7,000.00 | “ 235 |
| Apr. 30 | Salary—April | 1,500.00 | “ 235 |
| May 31 | Salary—May | 1,500.00 | “ 237 |
| June 30 | Cash (CR 153) | 100.00 | |
| “ 30 | Salary—June | 1,500.00 | “ 240 |
| July 31 | Salary—July | 1,500.00 | “ 242 |
| Aug. 31 | Salary—August | 1,500.00 | “ 244 |
| “ 31 | W A Reed | 100.00 | CR 161 |
| “ 31 | Check Exchanged | 100.00 | CR 169 |
| “ 31 | Traveling Expense SF etc | 150.00 | Journal 245 |
| Sept. 30 | Exchange CK \$300—Reed, W A) 215.51) | 515.51 | CR 177 |
| “ 30 | Salary—September | 1,500.00 | Journal 248 |
| “ 30 | Traveling Expense 2 trips) to San Francisco) | 350.00 | “ 248 |

C. S. Hutson — Drawing a/c — Continued — Page 5

| <u>1930—Continued</u> | <u>Cr.</u> | <u>Folio</u> | |
|--|------------|--------------|-------------|
| Oct. 31 Salary—October | 1,250.00 | Journal | 250 |
| “ 31 Pink Waronker—prev. charge) to CSH) | 73.88 | “ | 250 |
| Nov. 30 Salary—November | 1,250.00 | “ | 254 |
| Dec. 31 Salary—December | 1,250.00 | “ | 258 |
| “ 31 Western W Drug Co | 1.30 | Inv. Reg. | 214 |
| | <hr/> | | |
| <u>Total Credits</u> | | | \$25,710.87 |
| <u>Credit Balance</u> | | | \$1,481.47 |

| <u>1931</u> | <u>Dr.</u> | <u>Folio</u> | |
|---------------------------|------------|--------------|-------------|
| Jan. 31 Cash | 2,031.67 | Ledger a/c | |
| Feb. 28 Cash | 1,464.93 | “ | “ |
| Mar. 31 Cash | 1,783.00 | “ | “ |
| Apr. 30 Cash | 2,000.65 | “ | “ |
| May 31 Cash | 1,315.33 | “ | “ |
| June 30 Cash | 1,885.42 | “ | “ |
| July 31 Cash | 1,834.82 | “ | “ |
| Aug. 31 Cash | 1,197.84 | “ | “ |
| Sept. 30 Cash | 1,793.50 | “ | “ |
| “ 30 A/Rec—Uplifters Club | 140.80 | Journal | 293 |
| Oct. 31 Cash | 1,872.28 | Ledger a/c | |
| Nov. 30 Cash | 844.70 | “ | “ |
| Dec. 31 Cash | 2,145.00 | “ | “ |
| | <hr/> | | |
| <u>Total Debits</u> | 20,309.94 | | \$20,309.94 |

| | <u>Cr.</u> | <u>Folio</u> |
|---|------------|--------------|
| Jan. 31 Salary—January | 1,250.00 | Journal 261 |
| Feb. 28 Salary—February | 1,250.00 | “ 262 |
| Mar. 31 Salary—March | 1,250.00 | “ 267 |
| “ 31 Charge to Fact Payroll | 11.68 | CD 157 |
| Apr. 30 Salary—April | 1,250.00 | Journal 269 |
| May 31 Salary—May | 1,250.00 | “ 273 |
| June 30 Cks cancelled—Jenny | 20.00 | CD 169 |
| “ 30 Salary—June | 1,250.00 | Journal 276 |
| July 31 Salary—July | 1,250.00 | “ 280 |
| “ 31 D W Wheeler | 25.00 | CD “ 181 |
| Aug. 31 Salary—August | 1,250.00 | Journal 284 |
| Sept. 30 Salary—September | 1,250.00 | “ 287 |
| Oct. 31 Salary—October | 1,250.00 | “ 291 |
| “ 31 A/Rec—Uplifter's Club | 39.00 | “ 293 |
| “ 31 “ “ “ | 92.47 | “ 293 |
| Nov. 30 Salary—November | 1,250.00 | “ 294 |
| “ 30 Hollywood Ath. Club dues) charged to Selling Exp) | 36.00 | “ 294 |
| Dec. 31 Salary—December | 1,250.00 | “ 298 |
| “ 31 Studebaker Coupe sold to C S Hutson & Co by CSH. | 1,242.74 | “ 299 |
| “ 31 Charged to D W Wheeler | 45.00 | “ 300 |

Total Credits

\$16,511.89

Debit Balance Dec. 31, 1931

\$2,3

| <u>1932</u> | <u>Dr.</u> | <u>Folio</u> |
|---------------|------------|--------------|
| Jan. 31 Cash | 1,067.95 | Ledger a/c |
| Feb. 29 Cash | 1,742.21 | “ “ |
| Mar. 31 Cash | 947.98 | “ “ |
| April 30 Cash | 1,817.45 | “ “ |
| May 31 Cash | 994.30 | “ “ |
| June 30 Cash | 1,635.00 | “ “ |
| July 31 Cash | 296.27 | “ “ |
| Aug. 31 Cash | 869.15 | “ “ |
| Sept. 30 Cash | 1,489.63 | “ “ |
| Oct. 31 Cash | 817.80 | “ “ |
| Nov. 30 Cash | 770.00 | “ “ |
| Dec. 31 Cash | 1,038.37 | “ “ |

Total Debits

\$13,486.11

C. S. Hutson — Drawing a/c — Continued — Page 6

| <u>1932</u> | <u>Cr.</u> | <u>Folio</u> |
|------------------------------|------------|--------------|
| Jan. 31 Salary—January | 1,250.00 | Journal 304 |
| “ 31 Pd So. Calif. Tel. Co | 18.75 | “ 304 |
| Feb. 29 Salary—February | 1,250.00 | “ 307 |
| Mar. 31 Salary—March | 1,250.00 | “ 309 |
| Apr. 30 April—Salary | 1,250.00 | “ 313 |
| “ 30 Hollywood Ath Club—dues | 14.80 | “ 314 |
| “ 30 Jonathan Club | 12.90 | “ 314 |
| May 31 Salary—May | 1,250.00 | “ 315 |
| June 30 Salary—June | 1,250.00 | “ 317 |
| July 31 Salary—July | 1,250.00 | “ 321 |
| Aug. 31 Salary—August | 1,250.00 | “ 324 |
| Sept. 30 Salary—September | 1,250.00 | “ 327 |
| “ 30 Charge to A/Rec | 5.50 | CR 321 |
| Oct. 31 October—Salary | 1,000.00 | Journal 329 |
| Nov. 30 Isabel Hand | 6.00 | CR 329 |
| “ 30 Salary—November | 1,000.00 | Journal 335 |
| Dec. 30 Salary—December | 1,000.00 | “ 338 |

Total Credits

\$14,307.95

Debit Balance Dec. 31, 1932

\$1,494.74

| <u>1933</u> | <u>Dr.</u> | <u>Folio</u> |
|--|------------|--------------|
| Jan. 31 Cash | 1,137.40 | Ledger a/c |
| Feb. 28 Cash | 906.59 | “ “ |
| Mar. 31 Cash | 587.46 | “ “ |
| Apr. 30 Cash | 1,797.46 | “ “ |
| May 31 Cash | 374.90 | “ “ |
| June 30 Cash | 481.35 | “ “ |
| July 31 Cash | 25.00 | “ “ |
| Aug. 31 Cash | 319.07 | “ “ |
| Sept. 30 Cash (Trip to Washington) (\$350.00 incl.) | 564.88 | “ “ |
| Oct. 31 Cash (Trip—Washington) | 200.00 | “ “ |
| Nov. 30 Cash “ “ | 200.00 | “ “ |
| Dec. 31 Cash (Trip—Washington) (\$100.00 incl) | 753.88 | “ “ |

Total Debits

\$7,347.99

| | <u>Cr.</u> | <u>Folio</u> |
|----------------------------|------------|--------------|
| Jan. 31 Salary—January | 1,000.00 | Journal 346 |
| Feb. 28 Salary—February | 1,000.00 | “ 351 |
| Mar. 31 Salary—March | 1,000.00 | “ 352 |
| Apr. 30 Salary—April | 1,000.00 | “ 356 |
| May 31 Salary—May | 1,000.00 | “ 360 |
| June 30 Salary—June | 1,000.00 | “ 363 |
| “ 30 Ck Mrs. CSH—cancelled | 125.00 | Ledger a/c |
| July 31 Cash Advanced | 12.00 | CD 293 |
| “ 31 Salary—July | 1,000.00 | Journal 369 |
| Aug. 31 Salary—August | 1,000.00 | “ 370 |
| Sept. 30 Salary—September | 1,000.00 | “ 375 |
| Oct. 31 Salary—October | 1,000.00 | “ 379 |
| Nov. 30 Salary—November | 1,000.00 | “ 381 |
| Dec. 31 Salary—December | 1,000.00 | “ 385 |

Total Credits

\$12,137.00

Credit Balance Dec. 31, 1933

\$3,294.7

C. S. Hutson—Drawing a/c—Continued—Page 7.

| <u>1934</u> | <u>Dr.</u> | <u>Folio</u> | |
|--|-----------------|--------------|-------------------|
| Jan. 31 Cash | 179.68 | Ledger a/c | |
| Feb. 28 Cash | 100.00 | " " | |
| " 28 Note given to transfer from open a/c to Notes Payable, dated 2/1/1934 6 mo. 7% | 5,089.59 | Journal 400 | |
| Aug. 21 Transfer of cash to CSH per- sonal a/c—per his instructions | <u>3,500.00</u> | " 425 | |
| <u>Total Debits</u> | | | \$8,869.27 |
| | <u>Cr.</u> | <u>Folio</u> | |
| Jan. 31 Salary—January | 1,000.00 | Journal 397 | |
| Feb. 28 Salary—February | 1,000.00 | " 398 | |
| " 28 Charged to Sales Expense Resolution of Board of Directors passed <u>Oct. 1932</u> authorized \$25. per week to CSH for expenses— during 1933 and Jan. 1934— CSH drew \$425.00—balance due him | 975.00 | " 400 | |
| Mar. 31 Salary—March | 1,000.00 | " 404 | |
| Apr. 30 Salary—April | 1,000.00 | " 408 | |
| May 31 Salary—May | 1,000.00 | " 413 | |
| June 30 Salary—June | 1,000.00 | " 415 | |
| July 31 Salary—July | 1,000.00 | " 421 | |
| " 31 Sales Expense—Feb. 1 to July 31, 1934 | 170.00 | " 422 | |
| Aug. 15 Salary to Aug. 15" | 500.00 | " 425 | |
| " 21 Salary to date | <u>203.66</u> | " 425 | |
| <u>Total Credits</u> | | | \$8,848.66 |
| <u>Credit Balance August 21, 1934</u> | | (Open a/c) | \$3,273.66 |
| Feb. 1, 1934 due on Note given CSH By CSH Co.) | 5,089.59 | | |
| Mar. 1 to Aug. 11, 1934—drew against note as per ledger account | <u>962.71</u> | | |
| Balance due on Note | | | <u>\$4,126.88</u> |
| <u>Claim Filed</u> | | | <u>\$7,400.54</u> |

Analysis of this account has been made from the following records of the C. S. Hutson & Company:

Journal October 1926 to August 1934 inclusive
Ledgers " " " " "
Notes Payable—February " " " "

Cash Receipts & Cash Disbursements missing from 1926 to 1930.

Cash & Purchases charged are taken as a monthly total—however can be readily verified as the items compiling said total are itemized on ledger account beginning January 1929, to 21, 1934.

SUMMARY
C. S. HUTSON PERSONAL—DRAWING A/C
with
C. S. HUTSON & COMPANY.

DEBITS consist of charges made through checks drawn by the C. S. Hutson & Co. and purchases made through the Company accounts.

CREDITS consist of salary, prepaid expenses and miscellaneous items as listed.

NOTE: An explanation is given below of any debit or credit extraordinary.

| <u>DEBITS</u> | | | | |
|----------------|------|--|-------------|---|
| YEAR | 1926 | | \$ 3,319.83 | |
| " | 1927 | | 14,389.89 | |
| " | 1928 | Evidently Exchange Check— | \$32,551.11 | |
| | | | 7,680.00 | 24,871.11 |
| " | 1929 | Evidently Exchange Check— | \$55,348.76 | |
| | | | 22,800.00 | 32,548.76 |
| | | | | includes transfer of Cadillac from C. S. H. Co. to CSH. \$4,678.50 |
| " | 1930 | | | 24,898.14 |
| " | 1931 | | | 20,309.94 |
| " | 1932 | | | 13,486.11 |
| " | 1933 | | | 7,347.99 |
| " | 1934 | | 8,869.27 | |
| | | Less Note | 5,089.59 | 3,779.68 |
| | | | | includes \$3,500. transfer from CSH Co funds on date of Trusteeship. |
| " | 1934 | Drew on above note | | 962.71 |
| <u>Total</u> | | | | \$145,914.16 |
| <u>CREDITS</u> | | | | |
| YEAR | 1926 | | 4,481.60 | |
| " | 1927 | | 10,968.32 | |
| " | 1928 | Evidently Exchange Check | 29,321.07 | |
| | | | 7,680.00 | 21,641.07 |
| | | | | includes salary increase of \$750. per mo. Jan. 1, 1928 to Oct. 1, 1928, \$6,750.00 (B of D) |
| " | 1929 | Evidently Exchange Check | 61,507.34 | |
| | | | 22,800.00 | 38,707.34 |
| | | | | includes transfer from H. L. Hutson personal a/c \$6,371.19 Partial Payment on Sale of 18% int. in Amer. Bk Ck Co. to CSH Co by CSH. (B of D) \$10,100.00 Depreciation on Buick & Cadillac Autos \$2,352.12 |
| " | 1930 | | | 25,710.87 |
| | | | | includes Sale of additional 7% int. in Amer. Bk Ck Co. to CSH Co by CSH (B of D) \$7,000.00 |
| " | 1931 | | | 16,511.89 |
| " | 1932 | | | 14,307.95 |
| " | 1933 | | | 12,137.00 |
| " | 1934 | | | 8,848.66 |
| | | | | includes Expense allowance of \$25. per week—year 1933, Jan. 1934 less \$425. which he had drawn. (B of D) \$975.00 |
| <u>Total</u> | | | | \$153,314.70 |
| | | <u>Credit Balance—Amount—Claim filed</u> | | \$7,400.54 |

"EXHIBIT B"AMERICAN BANK CHECK COMPANYACCOUNT WITHC. S. HUTSON & COMPANY.

| <u>1928</u> | <u>Dr.</u> | <u>Folio</u> | |
|-------------------------------------|------------|--------------|--------|
| Mar. To H. W. Brintnall | \$3,450.00 | Journal | 115 |
| April Cash | 704.50 | " | 120 |
| " Purchases & Pay-outs | 29.18 | " | 121 |
| " Press & two Motors | 448.00 | " | 119 |
| " Wages paid | 270.00 | " | 119 |
| " " " | 8.10 | " | E-1534 |
| May First paym't on Imps. | 345.00 | " | " 1531 |
| " Addit'l " " " | 105.00 | " | " 1532 |
| " Wages paid | 203.90 | " | " 1536 |
| " Cash | 352.25 | " | 125 |
| " Purchases—expense etc | 187.46 | " | 126 |
| June " " —materials | 123.16 | " | " 1544 |
| " Res. for Overhead | 9.85 | " | " 1544 |
| " Wages | 96.50 | " | " 1547 |
| " Cash | 857.04 | " | 129 |
| " C S Hutson | 52.70 | " | 130 |
| " Invoice Reg—Miscel | 3.35 | " | 130 |
| July Expense—Mark Twain Hotel | 157.54 | " | 134 |
| " Expense—Printing etc | 13.99 | " | 134 |
| " Cash (CSH) Petty cash items (100) | 127.25 | " | 134 |
| " Postal charges | 1.43 | " | 135 |
| Aug. Long Distance Phone—Cr CSH | 6.80 | " | 137 |
| " Administration Exp—CSH | 200.00 | " | 138 |
| " Telephone | 2.43 | " | 139 |
| Sept. Pontiac & cash (\$5) | 580.00 | " | 142 |
| Nov. Telegrams | 3.28 | " | 1647 |
| Dec. Mark Twain | 19.66 | " | 1652 |
| " " " | 113.37 | " | 1652 |
| " " " | 2.50 | " | 1652 |
| " Cash | 54.50 | " | 1668 |
| " Charge | .72 | " | 1675 |

Total Debits

\$8,529.46

| | <u>Cr.</u> | | |
|------------------------------|------------|---|------------|
| May By H. W. Brintnall | \$3,450.00 | " | 1531 |
| June Cash | 25.00 | " | 129 |
| July Charge to Wheeler—Sales | 64.17 | " | 135 |
| Dec. A/Rec | .72 | " | 173 |
| | <hr/> | | |
| <u>Total Credits</u> | | | 3,539.89 |
| | | | <hr/> |
| Debit Balance Dec. 31, 1938 | | | \$4,989.57 |

This account, as above balance, transferred from Gen'l Ledger to Accounts Receivable.

Various charges and credits made to this account as shown on Accts Receivable Ledger cannot be analyzed as all records are not available. However these are the "high lights"—

A credit given as of Dec. 1929 for \$3,919.10 and charged to H. L. Hutson, Journal 222.

A credit given as of Mar. 30, 1929 for \$3,516.57 and charged to CSH & Co—Surplus a/c

Explanation of this entry as follows: to clear as of Dec. 31, 1928, this amount as it has been decided and authorized by C S. Hutson, that these expenses properly belong to C S Hutson & Co. Journal—193.

This account now stands on the CSH Co books as an account payable with a balance due them of \$46.41—which has not been filed with the Referee in Bankruptcy.

Note:

A 25% interest in this Company was sold by C S Hutson to C S Hutson Co as follows:

| | | | |
|----------------------------|-----------|------------------------------------|-----------|
| Charged to Investment A/C | \$18,000. | Credited to CSHutson, Personal a/c | \$10,100. |
| Dec. 31, 1929—Journal 223. | | " " " CSH—Notes Receivable | 7,900. |
| Apr. 30, 1930— " 235. | | | <hr/> |
| | | | \$18,000. |
| Charged to Investment A/C | 7,000 | " " " CSH Personal a/c | 7,000. |
| | <hr/> | | <hr/> |
| | \$25,000. | | \$25,000. |

Dec. 31, 1933—This stock was reduced to the value of \$1.00—Journal 393.

Notation—To write down and close out certain stocks.

Resolution of the Board of Directors for the purchase of this stock as per Journal entry—but no record of their passing on the reduction of the value of said stock.

"EXHIBIT C"

ANALYSIS OF H. L. HUTSON ACCOUNT

with

C. S. HUTSON & COMPANY

| <u>1926</u> | | <u>Dr.</u> | <u>Folio</u> | | | |
|-------------|----------------------|------------|---|---|---|------------|
| Oct. 31 | Miscel. a/c | 334.40 | Journal 22—Pages in Voucher Journal 1 to 50 | | | |
| Dec. 31 | Cash—personal | 25.00 | " 32 missing. | | | |
| " 31 | " " | 225.00 | " 32 | | | |
| | <u>Total Debits</u> | | | | | \$584.40 |
| | | <u>Cr.</u> | | | | |
| Oct. 31 | | 796.50 | " 22 | " | " | " |
| Nov. 30 | | 5,948.02 | " 26 | " | " | " |
| Dec. 31 | Dec. Salary | 300.00 | " 31 | | | |
| | <u>Total Credits</u> | | | | | \$7,044.52 |

Dec. 31, 1926

Credit Balance

\$6,460.12

| <u>1927</u> | | | | | |
|-------------|-----------------------------|----------|------------|--|--|
| Jan. | Cash | 225.00 | Journal 40 | | |
| " | Purchases—V Journal 55. | 68.10 | " 41 | | |
| Feb. | Cash | 200.00 | " 44 | | |
| Mar. | " | 225.00 | " 48 | | |
| " | Purchases—V Journal 82 | 25.00 | " 49 | | |
| Apr. | Cash | 250.00 | " 51 | | |
| May | " | 225.00 | " 57 | | |
| " | Cr. to A/Pay | 160.00 | " 56 | | |
| June | Cash | 100.00 | " 66 | | |
| July | " | 100.00 | " 71 | | |
| Aug. | " | 174.68 | " 77 | | |
| Sept. | Cr. A/Pay—A. K. Henry | 150.00 | " 83 | | |
| " | Cash | 300.00 | " 85 | | |
| Oct. | " | 275.00 | " 92 | | |
| Nov. | " | 300.00 | " 97 | | |
| " | A/Rec.—Cr. So. Calif. Music | 11.16 | " 96 | | |
| Dec. | Cash | 325.00 | " 102 | | |
| | <u>Total Debits</u> | 3,113.94 | | | |

\$3,113.94

| | | <u>Cr.</u> | |
|-------|-----------------|------------|-------|
| Jan. | Salary | 300.00 | " 41 |
| Feb. | " | 300.00 | " 45 |
| Mar. | " | 300.00 | " 49 |
| Apr. | " | 300.00 | " 52 |
| May | " | 300.00 | " 55 |
| June | " | 300.00 | " 65 |
| July | " | 300.00 | " 70 |
| Aug. | " | 300.00 | " 76 |
| Sept. | " | 300.00 | " 84 |
| Oct. | " | 300.00 | " 91 |
| " | Interest (?) | 735.00 | " 90 |
| Nov. | Salary | 300.00 | " 97 |
| Dec. | " | 300.00 | " 102 |
| " | Prepaid Expense | 100.00 | " 103 |

Total Credits

\$4,435.00

Increase—Credit Dec. 31, 1927

\$1,321.06

Credit Balance—Dec. 31, 1927.

\$7,781.18

H. L. HUTSON—Continued—Page 2.

| | | <u>Dec. 31, 1927 -Cr. Balance</u> | | \$7,781.18 |
|-------------------------------|----------------|-----------------------------------|--------------|------------|
| <u>1928</u> | | <u>Dr.</u> | <u>Folio</u> | |
| Jan. | Cash | 300.00 | Journal 108 | |
| Feb. | " | 250.00 | " 113 | |
| Mar. | " | 225.00 | " 116 | |
| " | Purchase | 8.48 | " 117 | |
| Apr. | Cash | 650.00 | " 120 | |
| May | " | 335.00 | " 125 | |
| June | " | 275.00 | " 129 | |
| July | " | 300.00 | " 134 | |
| " | Purchase | 5.25 | " 135 | |
| Aug. | Cash | 325.00 | " 138 | |
| " | Purchase | 5.00 | " 139 | |
| Oct. | Cash | 124.50 | " 151 | |
| " | Insurance paid | 94.16 | " 155 | |
| Nov. | Cash—Auto | 123.50 | " 159 | |
| Dec. | Cash & Auto | 148.50 | " 168 | |
| <u>Total Debits</u> | | | | \$3,169.39 |
| | | <u>Cr.</u> | | |
| Jan. | Salary | 300.00 | " 107 | |
| Feb. | " | 300.00 | " 112 | |
| Mar. | " | 300.00 | " 115 | |
| Apr. | " | 300.00 | " 119 | |
| May | " | 300.00 | " 123 | |
| June | " | 300.00 | " 128 | |
| July | " | 300.00 | " 133 | |
| <u>Total Credits</u> | | | | 2,100.00 |
| Increase Debits—Dec. 31, 1928 | | | | 1,069.39 |
| Credit Balance, Dec. 31, 1928 | | | | \$6,711.79 |

| <u>1929</u> | | <u>Dr.</u> | |
|-------------|------|------------|--|
| Jan. | Cash | 163.50 | Ledger Sht—Cash Records, 1928-29-30 missing. |
| Feb. | " | 163.50 | " " |
| Mar. | " | 173.50 | " " |
| Apr. | " | 163.50 | " " |
| May | " | 163.50 | " " |
| June | " | 173.50 | " " |
| July | " | 163.50 | " " |
| Aug. | " | 363.50 | " " |
| Sept. | " | 163.50 | " " |
| Oct. | " | 40.00 | " " |
| Nov. | " | 50.00 | " " |
| Dec. | " | 40.00 | " " |

Total Debits

\$1,821.50

Cr.

| | | | |
|-------|--|----------|-----------------|
| Sept. | Salary—to set up Salary Aug. 1928 to Sept. 1929—14 months @ \$300. per | 4,200.00 | Journal 212 (?) |
| Oct. | Salary | 400.00 | " 213 |
| Nov. | " | 400.00 | " 217 |
| Dec. | " | 400.00 | " 220 |

Total Credits

5,400.00

Increase Credits—Dec. 31, 1929

3,578.50

Credit Balance, Dec. 31, 1929.

\$10,290.29

Above Credit Balance charged off as follows:

Dr. H L H. \$10,290.29

Cr. American Bank Check Co in A/Rec

3,919.10

" C S Hutson—Personal a/c

6,371.19 (?)

Journal 222.

=====

H. L. HUTSON—Continued—Page 3.

| <u>1930</u> | | <u>Dr.</u> | <u>Folio</u> |
|---------------------|------|------------|--------------|
| Jan. | Cash | 44.50 | Ledger Sht. |
| Feb. | " | 50.00 | " " |
| Mar. | " | 40.00 | " " |
| Apr. | " | 40.00 | " " |
| May | " | 50.00 | " " |
| June | " | 40.00 | " " |
| July | " | 40.00 | " " |
| Aug. | " | 20.00 | " " |
| Sept. | " | 174.00 | " " |
| Oct. | " | 40.00 | " " |
| Nov. | " | 50.00 | " " |
| Dec. | " | 40.00 | " " |
| <u>Total Debits</u> | | | 628.50 |

| | | <u>Cr.</u> | |
|----------------------|-------------------|------------|----------------|
| Jan. | Salary | 400.00 | Journal 228 |
| Feb. | " | 400.00 | " 231 |
| Mar. | " | 400.00 | " 233 |
| Apr. | " | 400.00 | " 235 |
| May | " | 400.00 | " 237 |
| June | " | 400.00 | " 240 |
| July | " | 400.00 | " 242 |
| Aug. | " | 400.00 | " 244 |
| Sept. | " | 400.00 | " 248 |
| " | Exp. Ck to Tucker | 104.00 | CR 177—missing |
| Oct. | Salary | 200.00 | Journal 250 |
| Nov. | " | 200.00 | " 254 |
| <u>Total Credits</u> | | | 4,104.00 |

Credit Balance—Dec. 31. 1930

 \$3,475.50

| <u>1931</u> | | <u>Dr.</u> | |
|------------------------------|------|------------|------------------------------------|
| Jan. | Cash | 50.00 | C D 146 |
| Feb. | " | 40.00 | " " 152 |
| Mar. | " | 30.00 | " " 157 (Cash drawn 1931— |
| Apr. | " | 10.00 | " " 158 Checks of \$10. each |
| May | " | 50.00 | " " 168 week to Mrs. H. L. Hutson) |
| June | " | 40.00 | " " 174 |
| July | " | 50.00 | " " 181 |
| Aug. | " | 40.00 | " " 185 |
| Sept. | " | 40.00 | " " 191 |
| Oct. | " | 50.00 | " " 198 |
| Nov. | " | 40.00 | " " 204 |
| Dec. | " | 40.00 | " " 209 |
| <u>Total Debits</u> | | 480.00 | |
| Credit Balance—Dec. 31, 1931 | | | <u>480.00</u> |
| | | | <u>\$2,995.50</u> |

| <u>1932</u> | | <u>Dr.</u> | |
|-------------------------------|------|------------|-------------------|
| Jan. | Cash | 50.00 | C D 214 |
| Feb. | " | 40.00 | " " 219 |
| Mar. | " | 40.00 | " " 223 |
| Apr. | " | 50.00 | " " 228 |
| May | " | 40.00 | " " 233 |
| June | " | 50.00 | " " 237 |
| <u>Total Debits</u> | | | 270.00 |
| Credit Balance—Dec. 31, 1932. | | | <u>\$2,725.50</u> |

1933
Jan. Note dated Jan. 4, 1933 given for above credit balance, thus transferring open account to Notes Payable. Journal 349.

| <u>1934</u> | | <u>Dr.</u> | <u>Cr.</u> |
|-------------|-----------------------------------|------------|---|
| Feb. | Note given in payment of interest | 654.58 | 654.58 To set up interest on note Journal 400 & adjust interest before note was issued. |

H. L. HUTSON—Continued—Page 4.

| | |
|-----------------------------------|-------------------|
| Due H L Hutson—Notes Payable—note | \$2,725.50 |
| " " " | 654.58 |
| Total | <u>\$3,380.08</u> |

This is included in Notes Payable, C S Hutson Co—per trustee's records as of Aug. 21, 1934 and at present date, July 23, 1936.